

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-10 ISO-00 FEA-01 AGR-10 CEA-01

CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05

L-02 LAB-04 NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15

STR-04 TAR-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01

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R 021720Z MAY 75

FM AMEMBASSY REYKJAVIK

TO SECSTATE WASHDC 5322

INFO AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

AMEMBASSY OSLO

AMEMBASSY PARIS

AMEMBASSY STOCKHOLM

USMISSION EC BRUSSELS

USMISSION GENEVA

USDEL MTN GENEVA

USMISSION OECD PARIS

CINCLANT

COMICEDEFOR

USMISSION NATO

UNCLAS REYKJAVIK 0492

E.O. 11652: N/A

TAGS: EFIN ETRD GATT EAIR IC

SUBJECT: PARLIAMENT APPROVES GOVERNMENT ECONOMIC MEASURES

REF: REYKJAVIK 0311

1. THE GOVERNMENT BILL ON ECONOMIC AND FINANCIAL MEASURES
BECAME LAW IN THE ALTHING (PARLIAMENT) ON APRIL 26. MAIN POINTS
ARE AS STATED IN REFTEL. AIRGRAMS WILL PROVIDE DETAILS CONCERNING
AIRPORT DEPARTURE FEE AND IMPORT DUTY CHANGES.

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2. AS REPORTED AIRPORT FEE IS 2,500 IKR. PER PASSENGER "WHO TRAVELS FROM ICELAND TO OTHER COUNTRIES"; HALF FARE FOR CHILDREN 2 TO 12. THE EFFECTIVE PERIOD IS MAY 1, 1975 TO THE END OF FEBRUARY 1976. IDF AIRCRAFT ARE EXEMPT AS WELL AS AIRCRAFT CREWS AND CHILDREN UNDER TWO. THE FORMER PROVISION EXEMPTING THOSE IN ICELAND LESS THAN 72 HOURS HAS BEEN REPLACED BY THE WORDING "TRANSIT PASSENGERS TRAVELING TO OTHER EUROPEAN COUNTRIES AND AMERICA".

3. IMPORT DUTIES ARE ABOLISHED ON CERTAIN FRUITS, BUT FATS AND OILS WERE DROPPED FROM THE LEGISLATION.

COMMENT: NO DECISION HAS BEEN MADE ON HOW THE GOVERNMENT WILL REDUCE THE BUDGET 3.5 BILLION KRONUR AND THE FINANCE COMMITTEE OF THE ALTHING HOLDS A VETO. WHILE THE GOVERNMENT BORROWING AUTHORITY FOR FOREIGN LOANS UP TO 3 BILLION KRONUR IS EARMARKED FOR THE CAPITAL INVESTMENT FUND, EMBASSY UNDERSTANDS MUCH OF THE MONEY IS FOR POWER AND RELATED PROJECTS INCLUDING THE FINANCING OF THE RECENTLY APPROVED FERRO-ALLOY SMELTER (UNION CARBIDE PROJECT). LITTLE FURTHER COMMENT HAS BEEN HEARD FROM LABOR REGARDING THE TAX CUTTING PROVISIONS, OR FROM THE GENERAL PUBLIC ON THE FORCED SAVINGS PROVISIONS.

IRVING

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